

Asian Hotels (North) Ltd

April 11, 2017

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|-----------------------|---|---|--|
| Long-term Facilities | 255 (increased from 250) | CARE BB; Stable (Double B; Outlook: Stable) | Revised from CARE BBB- (Triple B Minus) |
| Short-term Facilities | - | - | Withdrawn |
| Total | 255 (Rupees Two hundred and fifty five crore only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to the bank facilities of Asian Hotels (North) Ltd (AHNL) was on account of subdued performance in FY16 (refers to the period April 01 to March 31) with continued net losses, deterioration in solvency and debt coverage indicators despite marginal improvement in total operating income. The ratings also remained constrained by the exposure to foreign currency risk and continued large exposure to group entities, which were primarily funded through debt.

The ratings, however, continue to derive strength from experienced promoters with long track record of operations, favourable location of the hotel, long-term marketing tie-up with Hyatt International.

Going forward, the ability of the company to achieve the envisaged occupancy and room revenues and timeliness and adequacy of receipts from sale of commercial/residential space would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Subdued performance in FY16 with continued losses

During FY16, the company witnessed 3.55% growth in operating income in FY16 to Rs.240.74 crore. The operating metrics saw modest increase with Average Room Revenue (ARR) and occupancy increasing to Rs.7,997 (PY: 7,910) and 69.10% (PY: 68.90%) respectively. The PBILDT margin was 30.02% in FY16 but the company continued to incur losses in FY16 of Rs.16.99 crore; though lower than previous year (PY: Rs.48.18 crore).

The total debt increased to Rs.966 crore as on March 31, 2016 (PY: Rs.906 crore); overall gearing deteriorated from 1.62x as on March 31, 2015 to 1.78x as on March 31, 2016 and interest coverage ratio remained less than unity in FY16 (0.52x; PY: 0.68). The company had been dependent on monetization of its non-core assets (including land parcels) to meet its debt obligations and capex needs.

Exposure to group entities

AHNL has an overall exposure of Rs.563 crore as on March 31, 2016 in its wholly owned subsidiary Fineline Hospitality & Consultancy Pvt Ltd which in-turn holds 80% equity in Leading Hotels Ltd, which is developing a villa-cum-hotel complex in Goa at total cost of approximately Rs.1,000 crore to be funded by term debt of Rs.400 crore and remaining Rs.600 crore from a mix of equity and advance from customers. Out of total cost of Goa project, the company had incurred Rs.320 crore till December 31, 2016.

Key Rating Strengths

Experienced promoters and long track record of operations

AHNL, incorporated in 1980, was promoted by Mr Shiv Jatia. He has extensive experience of more than three decades in the hospitality sector and has been operating a hotel property under the brand, Hyatt Regency, in New Delhi since 1983.

Favourable location and marketing tie-up with Hyatt International

AHNL's hotel is located in southern part of New Delhi at proximity with the International & Domestic airport, commercial business districts and other up market areas of South Delhi. AHNL has agreement with Hyatt group for trade mark, strategic oversight and hotel operations service for its Delhi property under 'Hyatt Regency' brand expiring in December 2028.

Analytical approach: Standalone

Applicable Criteria

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short-term Instruments](#)

[CARE's methodology for hotel companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

About the Company

Asian Hotel (North) Limited [AHNL; erstwhile Asian Hotels Limited (AHL)] is engaged, in the business of operating a hotel property under the brand, Hyatt Regency, in New Delhi since 1983. AHL was promoted by the Gupta, Jatia and Saraf families in 1980 and the company commenced operations with the commencement of Hyatt Regency hotel in Delhi in 1983. Currently, the promoter shareholding is with the Jatia family. AHNL operates Hyatt Regency, New Delhi, a five-star hotel, with 507 rooms and 15 service apartments and five restaurants located at Bhikaji Cama Place, New Delhi. The company also has two wind turbine generators of 3 megawatt operational at Sinnar in Maharashtra. The company, through its wholly owned subsidiary Fineline Hospitality & Consultancy Pvt Ltd, holds 80% stake in Leading Hotels Ltd (Leading) that is developing a villa-cum-hotel complex in Goa.

During FY16 (Audited), AHNL incurred net loss of Rs.16.99 crore on operating income of Rs.240.74 crore against net loss of Rs.48.18 crore on operating income of Rs.232.49 crore in FY15. As per unaudited results of 9MFY17 (refers to the period April 01 to December 31), the company incurred net loss of Rs.31.19 crore on income of Rs.181.78 crore against net loss of Rs.0.14 crore on income of Rs.177.71 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---------------------------|------------------|-------------|---------------|-------------------------------|---|
| Term Loan-Long Term | - | - | Q4FY2030 | 255.00 | CARE BB; Stable |
| Fund-based - ST-Term loan | - | - | - | - | Withdrawn |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|-----------------|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Term Loan-Long Term | LT | 255.00 | CARE BB; Stable | 1)CARE BBB- (12-Apr-16) | - | 1)CARE BBB- (04-Nov-14) | 1)CARE BBB (04-Sep-13) |
| 2. | Fund-based - ST-Term loan | ST | - | - | 1)CARE A3 (12-Apr-16) | - | 1)CARE A3 (04-Nov-14) | 1)CARE A2 (04-Sep-13) |

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